



Consensus Mining and Seigniorage Corporation Quarterly Report Q2 2022

Financial Results Summary

CMSC is pleased to announce that, during its second quarter ending June 30th, 2022 (the "Period"), the Company earned \$1,139,646 in crypto-currency mining revenue.

The Company mined 31.8 BTC and 731 LTC, of which 13.54 BTC and 284 LTC were sold to pay for operating expenses, with the remainder being retained on the balance sheet.

As of the end of the quarter, CMSC held 144.5 BTC, 2493 LTC and de-minimis amounts of ZEC, BCH, ETH and ETC.

Operating expenses of \$500,556 were incurred during the period, primarily consisting of hosting costs, resulting in a net operating profit of \$639,090.

Non-operating expenses were \$1,742,911, primarily consisting of depreciation expenses for the mining equipment.

The Company's GAAP net loss for the Period was (\$1,103,821), primarily due to the application of the depreciation expense.

Operations Update

Rig Acquisitions

During the Period the Company invested \$2.135 million in additional mining equipment, consisting of 275 Antminer S19's of various hashrate models. These represent an additional 28 PH in bitcoin hashrate.

Hosting Providers

We are happy to report that the hosting provider that was building 2.1MW of expansion space for CMSC's exclusive use is anticipated to be energized and online during Q3. The build-out was delayed by a combination of supply chain issues as well as vendor manpower shortages. As



reported in Q1, we had terminated a different hosting relationship, and all the associated mining equipment has all now been shipped to this hosting provider. It has been cleaned, repaired, and consolidated and is awaiting re-deployment. As soon as the site is energized, we will be deploying this equipment and turning on an additional estimated 12-13 PH of processing power.

In our last update, we reported that we expanded our relationship with an existing provider, securing 1MW of hosting which was expected to come online at the beginning of June. Equipment for this space had already been purchased and is awaiting deployment; however, ERCOT, the grid provider in Texas, held up energization of this and other hosting providers' sites. The hosting provider generously agreed to compensate CMSC for the lost operating revenue for the months of June and July, and they now have an energization date of September 1st, at which time we will see our equipment come online.

In Q1, The Company engaged a new service provider on a small-scale test, with a view to potentially expanding with the provider. The networking and heat issues that this hosting facility experienced during Q1 were largely resolved during Q2 and we are at/close to full hashing capabilities. We continue to monitor the situation and hope to expand the relationship should the current stability continue.

We continue to engage with existing and new hosting providers to secure space in line with our procurement of new mining equipment.

Other Updates

As the crypto markets started to take a turn for the worse in Q2, we began to see the crypto lending space become challenged. Many crypto mining operators had purchased mining equipment using financing arrangements, and the combination of a fall in the price of crypto assets - as well as the mining hardware itself - put a number of these operators under financial stress.

The institutional custodian for CMSC also operates in this lending space and therefore had potential exposure to defaults on their loans. Discussions with the custodian have given us comfort that the custodial side of the business is segregated from the lending side of their business, so that our crypto balances are not at risk should their lending business suffer material losses.

The Institutional Custodian for our crypto balances has been working out well and the Company's assets are secured with their strong security measures.



Management Commentary

Our longer-term outlook for cryptocurrency mining remains positive, despite the recent downward move in the price of various crypto assets.

Our rate of capital deployment over the quarter, being approximately 3% of the Company's investible cash, was consistent with our approach of a deliberate, measured deployment of capital. Understanding the basis for how cyclical changes in mining equipment pricing develops, and graduating our capital expenditures to advantageously incorporate that dynamic, is strategically different to how many of the large publicly traded miners allocate their capital.

In our Q1 update we discussed how the cost of the mining equipment itself can change significantly over time, a driver of our prudent deployment of capital. This has certainly been proven out over the last several months.

At the end of Q1, we were seeing current generation equipment selling for around \$75 per TH, having fallen from \$106 per TH in December. As at the end of Q2 the prices were closer to \$45 per TH, and as at the time of this writing we are seeing mid \$30's.

This is concurrent with the lower price of bitcoin, making profitability more challenging, as well as the approaching halving, which is expected to be early May 2024. The industry also continues to experience challenges relating to the lack of hosting space to accommodate all the new equipment hitting the market and generally rising energy costs. Accordingly, we continue to be prudent about our capital deployment, the returns on which – if it's available to be invested – will naturally be higher if the capital equipment costs, in per-TH terms, are lower.

As mentioned before, there has been much turmoil in the equipment financing space, which is leading to some possible opportunistic transactions with mining operators under pressure to relieve themselves of their leverage burdens. We conduct active, ongoing discussions regarding blocks of equipment, some including hosting, and updates on these potential transactions will be forthcoming, should they transpire.

We remain excited about the continued evolution in the crypto-currency mining space and expect to further grow the Company's hashrate and mining presence.

A handwritten signature in black ink, appearing to read "Alun Williams".

Alun Williams

President and Treasurer

Consensus Mining and Seigniorage Corporation



Consensus Mining and Seigniorage Corporation

Statement of Financial Condition

	<u>June 30, 2022</u>
Assets	
Cash	65,845,298
Cryptocurrency miners ⁽¹⁾	9,800,454
Mined & held cryptocurrency ⁽²⁾	8,132,274
Loans receivable	350,000
Prepaid miner hosting	325,005
LP tax reimbursement receivable	92,600
Prepaid insurance	23,141
Interest receivable	6,348
Total assets	<u>84,575,120</u>
Liabilities	
Accrued expenses	46,311
Other payable	974
Total liabilities	<u>47,285</u>
Equity	
Contributions	86,309,313
Net income	(1,752,317)
Retained earnings	(29,161)
Total equity	<u>84,527,835</u>
Total liabilities and equity	<u>84,575,120</u>

Notes:

⁽¹⁾ Net of \$3,433,731 accumulated depreciation.

⁽²⁾ Valued as of each day mined for all cryptocurrency mined after 11/30/2021. Cryptocurrency on hand at 11/30/2021 valued at 11/30/2021 pricing.



Consensus Mining and Seigniorage Corporation

Statement of Income

	Q2 2022
Revenues	
Cryptocurrency mining ⁽¹⁾	1,070,547
Dividend revenue	63,107
Interest revenue	5,992
Total revenues	1,139,646
Operating expenses	
Hosting fees	460,788
Audit & Tax expenses	15,000
Registered agent fees	6,117
Transfer agent fees	3,922
Management fees	3,000
Custody fees	2,821
Advertising fees	2,125
Insurance expense	2,104
Other operating expenses	4,667
Coinmint fees	12
Total operating expenses	500,556
Net operating income	639,090
Other expenses	
Depreciation expense	1,617,994
Tax expense	124,917
Total other expenses	1,742,911
Net income	(1,103,821)

Notes

⁽¹⁾ *Gross of Coinmint fees*



Important Disclosures:

Consensus Mining and Seigniorage Corporation (“CMSC”) is an operating business and is not a registered investment adviser or broker-dealer. CMSC does not provide investment, legal or tax advice. Certain information set forth in this letter may contain “forward-looking information”. Forward-looking statements are provided to allow potential investors the opportunity to understand management’s beliefs and opinions in respect of the future so that they may use such beliefs and opinions as one factor in evaluating an investment.

These statements are not guarantees of future performance and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance of result expressed or implied by such forward-looking statements. CMSC undertakes no obligation to update forward-looking statements if circumstances or management’s estimates or opinions should change.

Cryptocurrencies in general, including the mining of cryptocurrencies, represents a relatively new industry and therefore carries special and substantial risks. Investors should appreciate the risks associated with holding and mining cryptocurrencies before investing in such companies.

All material presented is compiled from sources believed to be reliable, but accuracy cannot be guaranteed. Opinions stated herein may change at any time without notice, and past results are not a guarantee of future results. Under no circumstances does the information contained herein represent a recommendation to buy, hold or sell any security.

2022 Consensus Mining and Seigniorage Corporation®